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JUSTICE FOR RAILWAYMEN

Can the Companies Afford It?

'R RESEARCH DEPARTMENT

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"**THE RAILWAY REVIEW**" writes of our pamphlet:—

"It effectively exposes the fallacies of the companies' answer to the railway workers' demands. A splendid penn'orth."

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JUSTICE FOR RAILWAYMEN

THE railway directors are the guardians of some of the biggest lumps of capital in the country, totalling over a thousand million pounds. Their other directorships include all the most powerful interests in heavy industry and banking—the big industrial users of railways.

They have thus two main aims on the railways. One is to squeeze out as much money as possible for the bondholders. The other is to keep freight charges comparatively low—at any rate for the products of heavy industry—and to get special reduced rates for their own goods.

British capitalism as a whole is battening on the key service provided by the railways. This is one reason why railway dividends are not as high as those in many other industries. Just as the "depressed" mining industry provides the cheap coal which enables the iron and steel trusts to show huge profits, so the "depressed" railway industry subsidised the record profits made by British industry as a whole in 1937.

The railway directors include the most famous of capitalist financiers and economists—men like Lord Stamp, director of the Bank of England and pride of the London School of Economics, created a Baron in 1938, and Major J. J. Astor, M.P., of *The Times* and the Cliveden Set. But even these great thinkers have been able to discover only one effective way of satisfying both the stockholders and the big industrialists—and that is by underpaying and overworking the workers on the railways.

"WATERED" CAPITAL

Railway workers to-day suffer from the fact that enormous amounts of capital have been sunk in the railways in the past—some wisely, much unwisely—and that their labour to-day has to provide interest on the accumulated investment and waste of more than a hundred years.

The cost of railway building in England was about three times the cost per mile in America, twice that in Belgium and Russia. Here is the evidence of the Royal Commission on Transport (1930) on " the heavy capital expenditure with which the companies were burdened ":—

> " Extremely high prices were paid for land in order to buy off the opposition of influential landowners and to meet claims for compensation in respect of depreciation, real or fancied, of estates."
>
> " Speaking generally, it was opposition based on the interest of individuals which placed such heavy additional capital burdens on our railways, and incidentally, involved them in abnormally heavy Parliamentary fees."
>
> " Much wasteful expenditure was also incurred in unnecessary competition between rival companies."

In the various railway amalgamations that have taken place, many of the wasteful competing services and lines have been scrapped; but the capital put into their construction is still, for the most part, taking its toll of dividend. So is the money used to buy off the blackmailing landowners of a hundred years ago; so are all the sums paid over as "palm oil" to ease the passage of Railway Bills through Parliament; so is the cost of huge lawyers' commissions in the formation of the first companies.

A cautious estimate for the amount of "watered capital" on the railways is as follows:—

	£	
Purchase of land in excess of value	70 m.	
Parliamentary fees, lawyers' expenses and bribes	60 m.	
Unnecessary lines, unprofitable canals bought up, etc.	50 m.	
Bonus shares (excluding those wiped out in 1921)	44 m.	
Total	£224 m.	(about 18%)

Annual interest on watered capital, approximately £9 m.

"Water" is generally admitted to be the curse of the British railways, but it is not so often recognised that it is still increasing. Just as, a hundred years ago, the railway companies bought up canals at extravagant prices to prevent their competition, so

to-day they are buying up competing road passenger and goods transport companies at inflated prices.

For example, in 1933 the railway companies jointly bought up Carter Paterson Ltd., and Hays Wharf Cartage Co. Ltd., whose total capital was approximately £1,200,000, at a cost of £2,180,000 (or 36s. 4d. per £1 share). But dividends must be paid on the money wasted in this transaction, as well as on the actual value of the assets bought.

COULD CAPITAL BE REDUCED ?

The proposal to " write off " some of the swollen capital of £1,100,000,000 has often been made. Much of it never represented any assets at all; much of it represents assets which now earn no profit, and on which the total invested has long been repaid. The railway companies argue that the only basis for valuing railway capital is the cost of replacement. This plea is put forward in an authoritative article in *Modern Transport* (23 November, 1935), by Mr. W. V. Wood of the London, Midland and Scottish Railway Company. The workers on the railways do not accept this view. This is made clear in an article in the *Railway Review* (26 August, 1938) by Mr. J. Marchbank, Secretary of the National Union of Railwaymen, who points out that

> " the root of the problem is the existence of the burden of unremunerative capital." He goes on to say " This imposes an earnings standard on the railways which has no relationship to railway economics at the present time."

This view is also held in responsible financial quarters, for the outstanding British financial journal, *The Economist*, suggests a drastic revision in railway capital in a special article in its issue of March 12, 1938:

> In a normal industrial concern a solution would doubtless be sought in a reorganisation of the existing capital. Hitherto, such a suggestion has been countered by the argument that the companies' assets, taken as a whole, stand in their books at less than their replacement cost to-day. The real question, however, concerns earning power rather than book values. An ordinary industrial concern would recognise that part of its earlier capital expenditure, though still represented by assets, was no longer profitable, and should be written off.

This statement brought a patronising letter in reply from Lord Stamp, chairman of the L.M.S. (March 19, 1938):—

> "It would make not the slightest difference if the capital could be reduced *except to show a better result on paper*."

If it could make no difference, why, we ask, do the railway directors object to it so strongly? Obviously *just because it would show a better result*! Lord Stamp understands very well the function of a swollen unreal capital—it shows a bad result on paper.

The Economist rudely expresses Lord Stamp's unspoken thoughts on this point. In reply to his arguments it states that no harm would be done by writing-down "*unless, for example, the railway directors fear Trade Union pressure, directly nominal dividend rates rise above a given margin.*"

Trade Union pressure for higher wages—that is exactly what the railway directors *do* fear. Their fear provides the real reason why railway capital is left at its present monstrous figure.

There is nothing in law to prevent the directors from faking up a black picture of the railways' profits. But neither is there any law compelling the workers in the industry to accept this picture as the truth.

"STANDARD" REVENUE

The railway directors to-day claim that under the Railway Act of 1921 they have a right to expect the "standard revenue" of 1913 before any improvements in wages and conditions are given. And this revenue, despite the 1937 increase of £11·4 million over 1932, none of the companies has yet reached or looks like reaching (though the Southern Railway last year came very near it).

Railway workers realise, however, that it was a lucky day for the railway bondholders when 1913 was adopted as a "standard" year; for 1913 was a year of record and exceptional revenues. It is scarcely surprising to find that the Act which adopted this "standard" was brought in by an ex-railway director, Sir Eric Geddes.

Thus the failure to earn "standard revenue" does not mean that the railway companies are "on their uppers". Nor, surprising as it may seem, do the low dividends on Ordinary and Deferred Stock prove that no profits are being made.

THOSE WIDOWS AND ORPHANS

At every wage tribunal the companies bring up the sad case of the widows and orphans, dependent on charitable funds, on whose behalf money was invested in ordinary railway stock in the good old days, when it was considered a "safe" security. And there can be no doubt that the ordinary and deferred stocks are not bringing in as much as they used to do.

Now even if the entire profits of the railways went to maintain widows and orphans, and no one else, it would be hard to see why the burden of so much charity should fall on rail workers, 120,000 of whom are on a wage under £2 10s. In fact, of course, the widows and orphans, and the other ordinary stockholders, get little or nothing at all. This is not because there has been a tremendous fall in railway revenue—the fall has actually been slight—but because ordinary stockholders only get what is left over after the holders of the debentures and fixed-interest stock have taken their pickings. The people in the know, who have their money safely invested in the 5% Guaranteed or Preference Stock, or in the £316,000,000 of Debenture capital, are not feeling the draught, and drew £28 millions out of the total £38·3 millions paid in interest and dividend in 1937.

For last year the average interest and dividend paid to holders of all types of capital was 3.4%. And this very respectable percentage was also paid, be it remembered, on watered (fictitious) capital. If we eliminate the £224 millions of " water," the average interest and dividend paid is 4% on the remaining capital. Over the last ten years, taking the boom with the slump, the railway stockholders have received total interest and dividends equal to roughly one-third of their whole inflated capital.

"BIG FOUR" RAILWAY REVENUES, INTEREST AND DIVIDEND PAID

Year	Net Revenue £ millions	Interest and Dividend £ millions
1929	45·4	44·2
1930	39·9	38·6
1931	33·37	34·4
1932	26·42	28·2
1933	28·8	30·2
1934	31·48	32·5
1935	32·92	33·7
1936	35·73	35·6
1937	37·9	37·6

ROAD COMPETITION

By 1937 the railways had invested some £12,000,000 in road transport companies (in addition to £4,400,000 invested in their own road vehicles), and they received about £1,200,000 in dividends from this source in 1937-8, compared with about £300,000 in 1929.

Thus they have succeeded in making themselves the leading figures in road transport. Railway workers who suffer from short-time and casual working are told that this is due to "road competition"; but the bondholders have cashed in on the competition, and are not "suffering" by any means.

RAILWAY WAGES

Railwaymen have always been a badly paid section of the working class. Before the war the average wage was somewhere about 20s. per week. Actually 100,000 received £1 or less a week, and 188,000, 25s. or less. Only about 50,000 got 26s. or over and nearly all of these were below the 30s. level. These are facts to be remembered when we are told that wages have increased more per cent since 1913 in the railway industry than in any other.

In 1931 the railway workers were obliged to accept cuts in their pay and special allowances. The average annual (all grades) wage was reduced from £180 in 1929 to £167 in 1932. Thus the railway bondholders succeeded in shifting the burden of the crisis on to the workers, and it was not until late in 1937,

after heavy pressure from the railway unions, that the cuts were finally restored.

Between 1933 and 1937 average earnings rose on the railways by 4·7%. In the same period the cost of food had risen by 16%, the cost of living by 12%*. The wage increases of 1937, when the final cuts were restored, actually left the workers worse off than in 1936. For while the total increase in the wage bill was estimated at 3%, the cost of living rose by about 7% during the year.

To-day the national minimum wage is 41s. per week, plus any increase under the cost of living sliding scale. In March, 1938, according to the Ministry of Transport's tables again, there were about 107,000† of the total male staff in grades where the average weekly wage rate was below 50s. That means that in order to make their wages up to something over 50s. there were more than 100,000 who had to work on Sundays or at night, or work harder under a bonus system or some such self-acting device designed to get more work out of the staff.

In other ways, too, the burden of the crisis has been shifted to the backs of the railway workers. Since the war the numbers of workers on the railways have fallen heavily. In 1921 there were 766,000 men employed; in 1938 there were only 607,000—four men were working where five had worked before.

The process of "rationalisation" has increased during the last few years. In 1937 the volume of traffic was approximately the same as in 1930, but the number of workers employed had fallen by 8½%, and the railways total wage bill was cut down by £6·8 million.

RATIONALISATION AND "SPEED-UP"

This "happy" result has been achieved by various methods. The "pooling" arrangement (i.e. the pooling of repairing and other resources by the companies) was responsible for much

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* Figures at the end of each year.

† More than one in six.

sacking in the depression, and is now again making itself felt. As the receipts decline, owing to the onset of trade slump, men are being stood off wholesale in the railway shops.

Labour costs are economised by various devices. Recently the L.N.E.R. has been establishing sub-depots for locomen, in particular in the north-east of England. Anything down to a telegraph post may be called a " sub-depot," and the drivers and firemen will have to sign on and off there instead of going in to the main depot to do this. This means loss of the usual allowances for walking time for the men and a corresponding gain for the companies.

Spreadover and split turns, familiar in other industries, are also finding their way into the railways. These measures are brought in first in one district and then in another, and as only one grade or at most one department is affected at a time, they do not attract general notice. Pooling measures are adopted in much the same way. A goods depot may be closed in one town, a repair shop in another, the men may be transferred to the other end of England involving great hardship and sacrifice, but the general public, and even the majority of railwaymen not directly affected, may hardly realise it. But the general effect can be seen from the fall in employment.

SPEED AT ALL COSTS

Further, there has been speeding up of the actual jobs done. Recently "bonus trains" have been introduced in Scotland and in some areas in England. Under this scheme the train staff are paid a bonus if they improve on their scheduled time. And the schedules themselves have been speeded up, and used to the full for their publicity value by the companies. The enterprise and engineering genius of the British railways are held up for admiration because trains run non-stop from London to Edinburgh, or because it is possible to travel from London to Glasgow in 6 hours. But there is plenty of speeding up that the public does not get told so much about. Goods trains are gradually being fitted with vacuum brakes, so that they can be

stopped in a shorter distance and can therefore travel more quickly. There is a certain shop in one depot which is known as " The Speedway." Coaches are kept moving while the men are working on them, and even repairs are done on a piecework basis.

ECONOMY AND ACCIDENTS

The companies do not show the same eagerness to introduce improvements that will save life as they do with those that will save money. Track-circuiting and automatic train control is still in use on only one line. When serious accidents take place the enquiry generally places the blame on the "human element" for a fatal slip. Men may be dismissed as a result. But the company, which has not thought it worth while to instal automatic control on grounds of cost, gets away without any censure. At most another polite "suggestion" is made on the subject.

But quite apart from the accidents to passenger trains, which are " news," there are numbers of accidents which are never reported in the press. The number reported to Head Office of the N.U.R., according to the *Railway Review*, is about 300 per week. These are accidents to members of the N.U.R., and the number involving railwaymen as a whole must be much greater.* The permanent way men probably run the greatest risk of accident, and they could be given far more protection if the increased length for which they are responsible did not interfere with keeping a permanent " look-out man."

It is more than likely that some of the dangers are due to under-staffing pure and simple. For example, despite the big traffic increase between March, 1936, and March, 1937, the number of signalmen employed actually fell slightly.

CASUAL AND YOUTH LABOUR

Since 1932 there has been a considerable increase in the proportion of women and boys employed, and a decline in the proportion of men.

* Possibly not all occurring on the railway itself.

EMPLOYMENT ON THE RAILWAYS

	1932	1938
Male adults ...	545,109 ...	542,232
Male juniors ...	30,755 ...	39,658
Female adults ...	21,132 ...	23,039
Female juniors ...	975 ...	2,349

Thus the companies are not only getting more work out of each worker; at the same time they are using cheap labour wherever possible.

Behind these figures lie hard facts. As many jobs as possible are gradually being transferred to boys; and in consequence these lads have little hope of a permanent job, since when they are old enough to receive a man's wage, they are transferred to " casual staff " and replaced by another lad at boy's wages. This is the grievance which lies behind the recent strikes of vanboys; and it is a part of the growing "casualisation" of railway workers.

The decline in traffic is made the excuse for sacking large numbers of regular staff in order to re-engage them as casual workers at low rates.

At May, 1938, there were 12,918 insured rail workers unemployed—or 7·3% of the total insured (177,000).

Thus the old claim that railwaymen are compensated for low wages and long hours by the steadiness of their employment is losing its weight. Figures of the numbers of casual workers are not published by the railway companies; but it is clear that if employment is becoming more uncertain, a wage-level based on steady employment and an assured pension is no longer sufficient to maintain railwaymen and their families in decency.

CAN THE COMPANIES AFFORD TO PAY MORE?

The companies can well afford to pay their workers a decent wage.

Last year's wage negotiations, which left the workers' real wages lower than in 1936, actually left the companies better off. They had a windfall of £12 millions in rating relief, made

retrospective to 1931. Further, they were allowed to raise fares and charges by 5% to cover the increased cost of wages and raw materials.

Thus over the whole deal the companies estimated that they would receive an increase of £17½ millions revenue, and would pay out only £5 millions extra for materials and £3·7 millions for increased wages.

It is true that owing to trade recession and a falling off in traffic the estimated increase in traffic receipts has not been reached. The recent half-yearly dividends of the railway companies have been low: the capitalist press has taken up the cry about the poverty of the industry: and the companies have just refused the workers' claims.

The fall in railway revenues has actually been slight (from £89,121,000 in 1937 to £86,767,000 in 1938 for the first 29 weeks of the year, or about 3%). The fall in net revenues has been much sharper, and is estimated on the basis of the half-yearly figures at about 5½ millions a year.

When we examine this, however, we find that the bulk of it is due to higher prices for materials.

Increase 1938 over 1937

Cost of materials	£2,760,000
Wages	£2,295,000
Estimated fall in net revenue ...	£5,401,000

(*Economist*, July 16, 1938).

Thus the workers are to go short while huge profits are made in iron and steel. But railway directors such as S. R. Beale, of Guest Keen & Nettlefold and the L.M.S.; A. Baldwin (Stanley's son) of Redpath Brown and the G.W.R.; Sir Francis Joseph of Settle Speakman collieries and the L.M.S., are the self-same people who net those profits. There are not less than three of these gentry on the board of each main line, and six on the L.M.S.

There are, then, three parties whose interests are concerned—the railway companies, the coal, iron and steel companies, and

the rail workers. The railway companies, even allowing for the fall shown here, will still have some £32,000,000 profits to distribute this year, while 94 heavy industrial companies, as shown by *The Economist* index, increased their profits from £8,415,000 in 1936 to £15,128,000 this year.

Commenting on the prospects of further economy by the companies, *The Economist* writes:

> " In any reduction of costs depending on improved organisation the enthusiasm of the staff must be enlisted. After ten years of cuts and rigid economy, however, a railway staff would be more than human if it did not reveal the effects, consciously or unconsciously, of blocked promotion and small ' rises.' Such a condition is inevitable in a depressed trade."

The railwaymen would not be more but less than human if they took all this lying down. In fact, as *The Economist* hints, they are not taking it that way. They have stubbornly defended their rights, nationally and station by station. And to-day they are asking for a definite improvement in their conditions.

Somehow or other, £38,300,000 went in profits last year to the bondholders and shareholders in this " depressed " industry. And as long as the railway capitalists take £64 a year in interest and dividend for every worker they employ* (compared with £59 per worker in 1930) it is idle for them to pretend that no money can be found. A living wage and decent conditions must be made the first charge on the railways.

Railway Wages and Employment, 1921-37

Year	No. employed thousands	Total wages £ million	Average Annual wage (*all grades*)
1921	766	143	£188
1929	642	115·3	£180
1930	657	114·5	£174
1931	616	105·8	£172
1932	598	99·7	£167
1933	566	96·6	£171
1934	575	100	£172
1935	580	101·2	£174
1936	585	104	£176
1937	599	108·2	£179
1938	607	—	—

* Alternatively, take 4s. interest and dividend out of every £ that is paid over to the railways.

THE RAILWAYMEN'S MAIN DEMANDS

National Union of Railwaymen

Conciliation Grades

1. 50s. minimum wage.
2. Abolition of spread-over and extended rosters.
3. 12 days' holiday with pay.
4. Minimum 4 hours' Sunday pay for all Sunday duty.

Associated Society of Locomotive Engineers and Firemen

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3. 12 days' holiday with pay.
4. Minimum 4 hours' Sunday pay for all Sunday duty.

Associated Society of Locomotive Engineers and Firemen

1. 1s. per day wage increase for drivers and firemen.
2. Extension of holidays with pay from 6 days to 12.
3. Lower grade men to be paid at higher grade rates after completing experience as drivers or firemen.
4. Abolition of extended rosters; minimum of 8 hours' Sunday pay for all Sunday duty.

Railway Clerks' Association

1. Salary increases for clerical workers ranging from £10 at 25 to £20 at 35 (for women £5 to £7 6s.).

   Station masters, supervisory workers, to receive increases of £10—£20. Increased pay for night duty.
2. 40-hour week without reductions in pay, and maximum turns of 9 hours.
3. Unappointed staff to be transferred to salaried staff after 2 years' service.
4. Increase of paid holidays to 12 days up to 20 years' service, rising to 18 days over 30 years' service.

National Railway Shopmen's Council

1. Wages increase of 2d. per hour, and 50s. minimum base rate, with guarantees of standard week's pay.
2. Forty-hour standard week without wage reduction.
3. 12 days' holiday with pay.

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